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VOLUME 44 NUMBER 12
DECEMBER 1989

NEW DESIGNS FOR A NEW DECADE

SUPERMARKET BUSINESS

DECEMBER 1989 VOLUME 44/NUMBER 12

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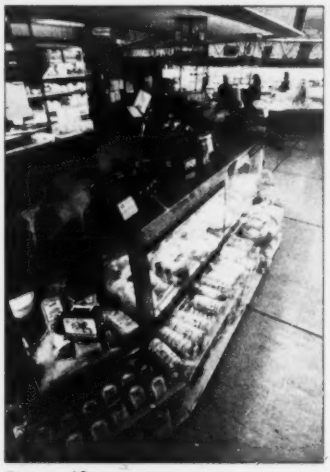

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Properly used, seafood tanks can hook more customers ... but careful planning is needed to avoid pitfalls

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Cover photo: Marisa Pellegrini

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SUPERMARKET BUSINESS Magazine (ISSN 0196-5700) is published monthly by FM Business Publications, Inc., 25 W. 43rd St., New York, N.Y. 10036. Telephone 212-354-5169. Circulated free of charge to grocery retailers and wholesalers. U.S. subscriptions $48 per year; Canada, $56 per year. Foreign subscriptions $66 (seamail), $212 (airmail), per year. Single copies $6 except Consumer Expenditures Study (September issue) $32 per copy. (Discount prices available on multiple purchases.) Copyright © 1989 FM Business Publications, Inc. All rights reserved. Second class postage paid at New York, N.Y., and additional mailing offices.

All circulation inquiries to: SUPERMARKET BUSINESS, P.O. Box 420256, Palm Coast, FL 32142-0256. Telephone (800) 423-1780, in FL (800) 858-0095.

BPA ABP

By Ken Partch, Editor-in-Chief

The $346 Billion Misunderstanding

(Or Why We *Still* Need a National Food Policy)

Tumbling over each other like wind-blown newspapers, food issues are coming at us faster than we can absorb them or effectively deal with them.

Each week, we reel from issue to issue, ricocheting from farm subsidies, drought, insecticides, chemical fertilizer, and grape boycotts to social and technical issues of the environment, food safety, solid waste, packaging, food irradiation, diet and health.

Yet, there is no comprehensive plan, policy or even direction suggested from any source to deal with them.

Each parochial, virtuous, self-important, self-motivated and self-satisfied interest group, from Greens to organic farm interests to natural food purveyors, is possessed by its answer to all of the above, and is more than willing to prescribe for the rest of us.

This is natural, of course. Self-interest groups, like nature, abhor a political or social vacuum, and will rush to fill it. The problem is that these self-interest groups tend to be overly simplistic.

Food policy in this country has been either a political vacuum or a political free-for-all since the '30s. And even then, only one aspect of the problem, the farm and farmers, was really considered. Some farm policy was needed to stabilize markets—no doubt. And since most of the nation was agricultural to some extent, the need touched almost everyone.

Today, only a tiny fraction of the population is directly involved in agriculture, although we are all involved in food and its implications.

Yet, no President or Senator, and only one Presidential candidate, Hubert Humphrey in 1974, ever addressed the issue of the need for a national *food* policy. Even he was speaking largely of agriculture and its implications and influences on world food issues. Jimmy Carter tried to use agriculture and food as a foreign policy tool, to the detriment of U.S. agriculture.

The issue of a *national food policy* hadn't been raised since, until Lyle Everingham, chairman of Kroger, raised it in a speech at the American Meat Institute meeting in September. He stated, quite sensibly, that the supermarket cannot assume sole responsibility for food safety, and that it is the job of the federal government.

> **There is no comprehensive plan, policy or even direction from any source to deal with these food issues.**

This is not to say that the supermarket should not exercise all due diligence in how it handles, prepares and maintains the food it sells. And this is not to say that the supermarket is not responsible for overseeing its suppliers, whether of fresh fruit and vegetables, or of its own private labels and manufactured products. But it cannot be solely responsible. It doesn't have the expertise or the manpower.

And since it cannot, it would seem to follow that it should not engage in its own certification programs of food safety. A piece of paper, signed by an outside agency, certifying that a product is safe does not make it so. It just begs the question. But if the supermarket cannot be solely responsible, what should it do?

The supermarket is responsible for training its people diligently—especially in handling and preparing fresh and prepared foods. It should train its people to be alert to the dangers and the possibilities of tampering.

But it cannot replace the Department of Agriculture and the Food and Drug Administration, and assume their responsibilities. It would seem, with the scandals emerging from the FDA, including "The Cyanide Mystery in the Chilean Grape Case," as reported in the Nov. 14 issue of *The Wall Street Journal*, that food safety is too important to be left to the FDA. The questions being raised involve *when* and *where* the grapes became contaminated.

The world of food and agriculture has simply become much too complex for 1930s approaches. The issue of chemical insecticides alone has become staggering. The issues of contamination and migration of packaging chemicals are much too important to be left to the hype of those looking for simplistic causes and rallying flags.

It is silly for supermarkets to attempt to join these self-interest groups in the hope of coming down on the side of the angels, and reaping the PR benefits. Does a contract with the United Farm Workers make their crops safer than others? To my knowledge, a UFW contract does not control the use of insecticides any differently from the practices of any other farm.

Yes, it is time that we look for alternatives to the use of chemical fertilizers and chemical insecticides. And perhaps it takes oodles of zealots to make the rest of us get some of the lead out on these issues. But the issues and the problems are bigger and far more complex than those in the media-hype business and the PR-event business would have you believe.

It is not, primarily, a case of good guys and bad guys. It is not us against the chemical industry or the packaging industry or the farm industry. It is us against ourselves. The solutions do not lie in being first on your block with cholesterol-free dog and cat food, nor with disposable diapers that self-destruct on command.

Somehow, we have got to get sober, grow up, and deal with the problems of the environment. We have to realize that

Continued on page 11

TRADE SCAN

Holiday Sales Hot, Profits Not, Retailers Predict; Fear Inflation

Eighty-six percent of retail operators expect this year's holiday sales to be as high or higher than last year's, according to a just-released nationwide survey conducted by the TRADE Retail Services Group, a part of Touche Ross. The results represent a compilation of 10 regional surveys.

But retailers were less optimistic about the profits arising from those sales. Of the survey's 614 respondents, 41 percent expected retail profits to decline during the holiday period; 36 percent predicted that profits would remain at last year's levels; and only 23 percent thought that this year's sales would be more profitable.

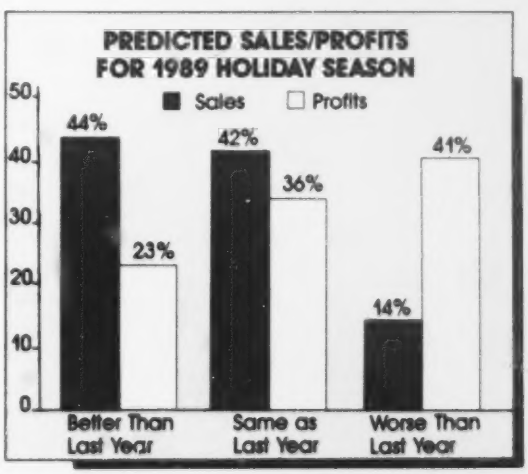
One reason for pessimism, cited by 44 percent of the retailers, is a fear of inflation. Thirty-five percent also predict lower retail gross margins.

Trying to cope with the higher sales, lower profits dichotomy, retailers reportedly are split on the size of their holiday inventories. Forty-one percent say that they will have larger inventories this year, while 31 percent are keeping leaner inventories, so as to not have to mark down as much at the end of the holiday season. Whether through lower starting inventories, increased markdowns, or higher sales, almost half of the retailers (46 percent) expect to end the season with smaller remaining inventories than in previous years.

These findings prompted Touche Ross analysts to predict that we would not see "intense price competition" this year, at least not between Thanksgiving and Christmas.

Most of the retailers felt that controlling expenses would be the key to maximizing profitability this holiday season. Increasing sales and tight control over markdowns are also seen as very important.

In a related survey, consumers indicated that they would be spending about as much this year as last. The survey, conducted in Los Angeles and New York, found that 47 percent planned to spend the same this year as last, 27 percent said they would be spending more, and only 24 percent felt their spending would be reduced.



Schaeneman, Tobin Move Up At Stop & Shop Companies

Lewis G. Schaeneman, Jr. was named chairman and CEO of the Stop & Shop Cos. (North Quincy, Mass.), while Robert G. Tobin was named president and COO of the Stop & Shop Supermarket Co.

The two appointments followed the resignations of Avram J. Goldberg, formerly chairman and CEO, and Carol R. Goldberg, formerly president and COO, who have both left the company.

Schaeneman has been president and CEO of the supermarket company since 1980, and is given credit by market observers for having made the division highly competitive and profitable. Schaeneman served as executive vice president, Western Region Supermarket Division, from 1975 to 1979. He joined the company in 1966. He is a graduate of Cornell and the Harvard Business School.

Tobin was formerly executive vice president and COO of the supermarket company. He is a graduate of Cornell University. Previously, he held numerous management positions in the company.

Stop & Shop underwent a very successful transition in the mid-Eighties to well-designed and well-run super stores with strong general merchandise, service departments, and pharmacies where permitted by law. The company also successfully competed against very stiff competition from warehouse stores as well as upscale service-oriented stores.

Quicker Meat Inspections: Nowhere Yet

USDA's plan to streamline meat inspections at packing plants continues to draw widespread criticism.

The Consumer Federation of America, the Government Accountability Project and the Public Voice for Food and Health Policy are jointly calling for extensive testing to determine the health implications of inspection procedure changes.

Currently, the National Academy of Sciences is studying the streamlined procedures to determine whether they can assure at least present levels of food safety.

The streamlined inspection would cut an inspector's examination time to about 12 seconds per carcass.

At first, some beef packers welcomed streamlined inspections. But they quickly withdrew their support when consumers became aroused over what they perceived to be inadequate safety guarantees. Consumers who contacted USDA about the new procedures were against the proposal 238-0, reports *The Wall Street Journal*.

Giant Eagle Tests 200,000 For Cholesterol

Cholesterol testing of 200,000 people was recently done by Giant Eagle Supermarkets (Pittsburgh) in 120 Pennsylvania, West Virginia and Ohio stores.

Testing took place over a two-week period as part of a program developed by Consumer Diagnostics, a health care marketing subsidiary of W.B. Doner & Co. Though not the first major cholesterol screening program in food stores, it is the first comprehensive program to deal with such an important health issue, Giant Eagle claims.

While stressing health maintenance, the program also points consumers to low-cholesterol products in supermarkets. "We see our supermarkets as important agents for dispensing information, and for effecting positive change," says Joe Faccenda, Giant Eagle's senior vice president of merchandising.

Heart Association Approval: The Price Isn't Yet Right, But . . .

Still can't afford a Maserati, or gold Rolex watch, or even that new condo you've had your eye on?

Well, don't worry—there's something else you still can't afford either, even though its price has been cut: It's the American Heart Association's HeartGuide seal of approval.

Under fire for heavy up-front fees of $40,000, the AHA decided to reschedule its fees to allow easier access to the HeartGuide program. The new four-tiered fee structure is $10,000, $20,000, $30,000 or $40,000, based primarily on your market share. The ceiling on educational fees also has been lowered from $1 million to $600,000.

According to AHA, the fee restructuring was prompted by higher-than-anticipated interest in the program.

But observers say it was prompted by louder-than-anticipated howls from smaller food manufacturers, who were afraid of being priced out of this new credibility "sale." And while the price cut opens the door a bit wider, many smaller manufacturers are *still* shut out, critics say.

Especially for new firms trying to break into the food business, already heavily fortified with economic barriers to entry, the price is still too high.

Keep howling, boys.

HEALTH & BEAUTY AIDS:
SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO 4 WEEKS ENDING 8/11/89	4 WEEKS ENDING 9/8/89	4 WEEKS ENDING 10/6/89
BABY NEEDS	**– 6.0%**	**– 3.4%**	**+ 0.5%**
Baby Powders	– 5.8	– 6.4	+ 11.3
Baby Oils, Creams & Lotions	– 12.6	– 5.6	– 5.1
Infant Clothes	+ 0.2	+ 0.6	– 2.5
Nursing Supplies	– 0.0	– 0.6	+ 1.5
DEODORANTS	**– 5.2%**	**– 4.6%**	**– 2.9%**
Sprays	– 2.2	– 12.0	– 4.0
Roll-Ons	– 13.4	– 10.3	– 12.9
Stick Deodorants & Pads	– 1.3	+ 0.4	+ 2.2
Creams	– 14.9	– 10.1	– 12.5
Deodorants & Talcum Powders	– 16.7	– 3.6	– 3.2
Feminine Hygiene Deodorants	+ 8.8	– 1.8	– 8.7
Foot Deodorants & Athlete's Foot Remedies	+ 1.2	+ 3.8	+ 8.5
Feminine Douches	– 6.7	+ 0.4	– 0.5
FIRST AID	**+ 4.4%**	**+ 8.9%**	**+ 0.3%**
Antiseptics	+ 2.7	+ 1.7	+ 1.7
First Aid Products	+ 5.1	+ 11.6	– 0.1
HAIR CARE NEEDS	**+ 2.7%**	**+ 1.4%**	**+ 4.1%**
Shampoos	+ 0.6	– 0.5	+ 5.8
Hair Sprays	+ 6.3	+ 5.5	+ 0.7
Hair Conditioning Rinses	+ 5.3	+ 2.2	+ 8.3
Hair Setting Needs	+ 8.8	+ 6.2	+ 10.1
Home Permanent Kits	– 15.3	– 3.2	+ 3.6
Hair Coloring	– 0.4	– 2.2	– 0.4
Hair Dressing Needs	– 10.9	– 9.4	– 15.5
ORAL HYGIENE	**– 2.6%**	**+ 0.5%**	**– 0.5%**
Toothpastes & Powders	– 4.3	– 2.3	– 2.0
Mouthwashes	0.0	+ 3.2	+ 0.9
Breath Fresheners	+ 0.4	– 0.3	+ 3.4
Denture Cleaners	– 6.3	– 4.2	– 1.8
Denture Adhesives	+ 0.4	– 0.9	+ 0.8
Toothbrushes	+ 0.8	+ 6.4	+ 1.8
Dental Aids	– 0.7	+ 14.3	+ 6.5
PROPRIETARY REMEDIES	**– 0.8%**	**– 1.5%**	**– 1.6%**
Antacids	– 4.0	– 2.6	– 2.1
Internal Analgesics	– 3.3	– 2.0	– 2.6
External Analgesics	– 4.0	– 9.1	– 0.3
Cold Remedies	+ 4.0	– 0.4	+ 1.8
Nasal Sprays/Drops/Inhalers	– 6.6	– 4.4	– 2.5
Chest Rubs	– 0.7	– 0.2	– 0.2
Cough Remedies	+ 5.2	+ 0.4	– 5.3
Laxatives	– 1.3	+ 1.0	+ 3.0
Sleeping Aids	+ 1.5	+ 2.7	– 1.1
Tranquilizers	– 1.1	+ 1.7	+ 6.0
Eye Care Products	+ 8.9	+ 8.5	+ 8.5
Appetite Suppressants	– 19.9	– 13.3	– 22.5
Synthetic Vitamins	+ 6.9	– 4.9	– 5.7
Natural Vitamins	+ 6.0	+ 2.8	+ 1.1
SHAVING NEEDS	**– 1.5%**	**– 5.0%**	**– 3.6%**
Shaving Creams	+ 11.6	– 4.6	– 2.2
Pre-Shave Lotions	+ 9.5	+ 4.8	+ 0.1
After-Shave Lotions	– 8.7	– 4.9	+ 3.4
Razor Blades	– 6.2	– 6.8	– 6.2
Razors & Blades	+ 0.5	+ 18.7	+ 35.5
SKIN CARE AIDS	**– 2.1%**	**– 2.0%**	**– 4.5%**
Hand & Body Creams & Lotions	– 3.2	– 2.2	– 6.2
Facial Preparations	– 0.7	+ 5.6	+ 8.6
Lip Care Products	+ 11.2	– 3.7	– 13.7
Suntan Lotions & Oils	+ 0.6	– 21.1	– 17.0
Cosmetic & Medicated Skin Aids	– 8.3	– 3.9 – 2.0	– 1.3
TOTAL ALL CATEGORIES	**– 1.0%**	**– 0.7%**	**– 0.6%**

Modest Decline in HBA Unit Sales Recorded for Period Ending October 6

Sales movement of hair care needs continues to improve, but proprietary sales are soft.

BY ALAN MILLER, JR.

Food store volume in 52 health and beauty aids categories whose sales we have been tracking every month remained down during the period ending October 6, 1989, as compared with the corresponding period a year ago. The unit sales loss rate of 0.6% represented a slight improvement over the 0.7% drop in the preceding period.

There were gains in three product groups, and losses in five. The best performance at the product group level of measurement was the 4.1% increase for hair care needs. The other increases were only 0.5% and 0.3%, for baby needs and first aid, respectively.

On a product category measurement level, there were four-week gains in 24 categories and losses in 28. However, these numbers would have been 29 and 28 if we had included five categories that have been added to the Arbitron/SAMI roster within the past two years. Each of these registered significant unit volume increases during the period under study, as follows: contraceptives, + 15.5%; personal lubricants, + 21.6%; home testing kits, + 20.1%; thermometers, + 28.2%; and elastic goods and dressings, + 79.6%.

During the four-week period, the HBA department unit loss rate of 0.6% was matched by the poundage loss among frozen foods. But stable foods experienced an increase of 1.7% in poundage, and refrigerated foods achieved the highest growth rate, + 5.1%. Dry grocery nonfood unit volume rose 1.2%.

Dollar sales are up

In dollars, all five product departments advanced, paced by jumps of 8.7% for dry grocery nonfood products and 8.1% for refrigerated foods. Dollar sales in the 52 HBA categories combined advanced 4.7%, which translates to $33.2 million in the 28-day reporting period.

The HBA unit loss situation was not limited to food stores. Units in drug stores for the same categories fell 2.6% nationally in the same four-week span. Dollars in drug stores were ahead by just 0.6%.

The baby needs product group showed a unit volume gain of 0.5%. This resulted from an increase of 11.3% for baby powders, which had recorded a loss of 6.4% in the preceding period. Sales of nursing supplies also recovered from a September loss. There was a slight reduction in the loss rate for baby oils, creams and lotions.

Among personal deodorants, only two of eight categories had plus volumes over last year. Stick deodorants increased 2.2%, and sales of foot deodorants and athlete's foot remedies were up 8.5%. In the deodorant product group, there was only one new national million-dollar-a-year brand—Faberge stick. Ban spray completed national distribution, but overall the spray deodorant category fell 4.0%. The best performance in a weak roll-on category was provided by Arrid Extra Dry Glide-On.

The 3.0% gain for first aid offerings was the result of a 1.7% increase for antiseptics, where some of the cortisone-based remedies are exhibiting sales strength. Bactine and Anbesol are two major brands with current growth trends.

There were four-week unit volume increases in five of the seven hair care needs categories. The highest category increases were 10.1% and 8.3%, for hair setting needs and hair conditioning rinses, respectively.

Shampoo sales rose 5.8%, a marked improvement over the loss of 0.5% in the preceding period. This turnaround was aided by the national launching of Rave Shampoo and the ability of Procter & Gamble to record

SAMI UPDATE

sharp gains for Pert Plus without cannibalizing the volume of regular Pert.

Hair spray volume increased only 0.7%, which is below both the 12-week gain rate of 4.0% and the annual increase of 3.0%. Part of the gain for hair conditioning rinses was the result of the completion of national distribution of Rave Conditioner. Two Gillette brands, White Rain and Silkience, are showing strength, and the various Salon Selective entries of Helene Curtis are helping to increase volume in their respective categories.

New Toni Epic Wave has contributed to a sales gain among home permanent kits. The weakest hair care needs categories are hair coloring, where men's items are growing in importance, and hair dressing needs, where men's grooming items are generally continuing a sales slide.

Although five of the seven oral hygiene categories enjoyed sales gains, the product group had a combined loss rate of 0.5%. Most of this was due to a loss of 2.0% in the high-volume toothpaste and powder category. There was also a decline of 1.8% for denture cleaners. There were no new million-dollar brands in the toothpaste category, but there was impressive growth for Arm & Hammer Dental Care, and national distribution of Colgate Jr. was completed.

The increase of 0.9% for mouthwash can be attributed to growth for Listerine, Chloraseptic and Viadent, as well as the appearance of Plak Attack in 30 SAMI markets. Colgate brands of toothbrushes were responsible for the category's 1.8% increase. Private label offerings of dental floss contributed to the 6.5% gain for dental aids.

There were 1.5 million fewer units of proprietary remedies sold in food stores compared to the year ago four-week reporting period. Losses were recorded in nine of the 14 categories monitored. The highest unit loss rate was 22.5% for appetite suppressants, and the biggest four-week drop in total units was 827,000 for cough remedies. Losses of more than 2% were registered in four other categories of proprietary remedies: 2.1% for antacids, 2.6% for internal analgesics, 2.5% for nasal sprays, drops and inhalers, and 5.7% for synthetic vitamins.

The best gain rates were achieved by eye care products (+8.5%), over-the-counter tranquilizers (+6.0%, though on a small-volume basis), and laxatives and stool softeners (+3.0%). On a 52-week basis, only four categories of proprietary remedies recorded increased unit volume: cold remedies (+4.6%), eye care products (+7.1%), synthetic vitamins (+1.2%), and natural vitamins, minerals and supplements (+3.1%).

Razors up, blades down

A 3.8% loss in sales in the shaving needs product group is attributable to declines in the two categories with the highest unit volume—razor blades (−6.2%) and shaving creams (−2.2%). Much of the 35.5% gain for razors and blades can be credited to the launching of Schick's Slim Twin razor, along with an improvement in Wilkinson sales. There were also increases of 0.1% and 3.4%, respectively, among pre-shave lotions and after-shave lotions. Volume in the latter category was enhanced by the national introduction of S.C. Johnson's Edge. Samples of this new fragrance were placed in the caps of Edge Shaving Gel cans.

There was only one category of skin care aids with a favorable four-week trend. The brands that performed strongly in this category included Oil of Olay Lotion, Ponds, Night of Olay, St. Ives, Clean & Clear and Neutrogena. There were no new national million-dollar brands in the hand and body cream/lotion category, although Eversoft has achieved national availability status.

The only major new product introduction among suntan oils-suntan lotions was Vaseline Intensive Care, and the category volume trailed last year's four-week level by 17%. There was an improvement in the loss rate for cosmetic and medicated skin aids, which moved from a decline of 3.9% in September to a decline of only 1.3%. ■

STANDING IN LINE

Continued from page 55

another approach. It capitalizes on the strong desire by vendors to be at the front end by selling peghook space at the checkouts. Hooks rent for six to 10 dollars, and the items are changed every six months. The buyer reports being offered more items than the space will allow and being able to be selective to get the best overall mix and variety.

This is indicative of the degree of competition for the front-end space. While this program may not fit into all manufacturers' marketing programs, it does give some the opportunity, if they have allowances available, of spending their money where they will get a direct payback from the favored position in the store for a guaranteed period of time.

What items sell best at front end? Almost anything that will fit at the front end will sell there! However, in order to maximize sales and profits from this section, retailers need to use discretion and judgment. Therefore, product size is a key factor.

Some of the best items that retailers are displaying at the front end are air fresheners, audio cassettes, balloons, batteries, brushes, cellophane tape, combs, disposable lighters, electrical tape, emery boards, extension cords, eyeglass repair kits, fuses, film, glues, hair care accessories, incense, kitchen gadgets, lip therapy, memo pads, nail clips, nail files, night lights, novelty items, paring knives, pencils, pens, plastic straws, playing cards, potpourri, razor blades, razors, rubber bands, sewing kits, shoe laces, toys and video cassettes.

Retailers have different philosophies about front-end merchandising. Some believe in the "clean" front-end theory and limit their front-end merchandising to low-profile fixtures with periodicals and confections only. Other retailers make more effective use of the space by incorporating floor displays and display tables, in addition to a total front-end merchandising program. These retailers must believe in the old theory that "nothing sells merchandise like merchandise."

Competition for front-end space is not likely to diminish. Even though good retail operators try to avoid having customers waiting in the checkout lane for a prolonged period of time, it's inevitable that customers will have some delay at the checkout. Nobody likes to wait, and people waiting are usually very bored. Their eyes are continually looking around for something of interest.

It's been reported that the exposure an average item gets in a supermarket is approximately two-fifths of a second. The exposure period of items at the checkout area is much greater, and the customer is not preoccupied with items on the shopping list. These are perfect conditions for impulse sales.

And if the shopper has children, the checkout line provides an opportunity to buy a little present as a reward for good behavior.

As much as people complain about the cost of food, they do like to spend money. It's a form of gratification. It's easy to reach over and drop another item on the conveyor. After all, they're going to be pulling out their wallet to pay for their purchases anyway.

When you analyze this situation, you could not ask for more as a seller of merchandise. Is it any wonder the vendors are "standing in line" to get items into this choice spot? ■

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port on its new systems at the Steering Committee. It's been my experience that these reports are self-serving, and do little more than establish the fact that information systems considers its work done, and the report is its way of getting the sponsoring department to acknowledge this fact. The original concept of a post-audit review was to see if the benefits anticipated to justify the development expense were achieved.

Can you improve on the usability of systems for your company? Of course you can. None of us—at least not in every application used in our companies—has the full array of training support I've described. And far too few companies have interdepartmental reviews of new applications before or after systems implementation. If we did, those applications would address the needs of more of our users, and they'd be designed, from the beginning, to do so. That's our challenge, yours and mine, as we prepare for the new decade. ■